S&MM
SALES & MARKETING MANAGEMENT
NOVEMBER 16, 1981
A BILL PUBLICATION
TWO DOLLARS

AN S&MM SPECIAL SECTION
Sales meetings keep the team on the ball
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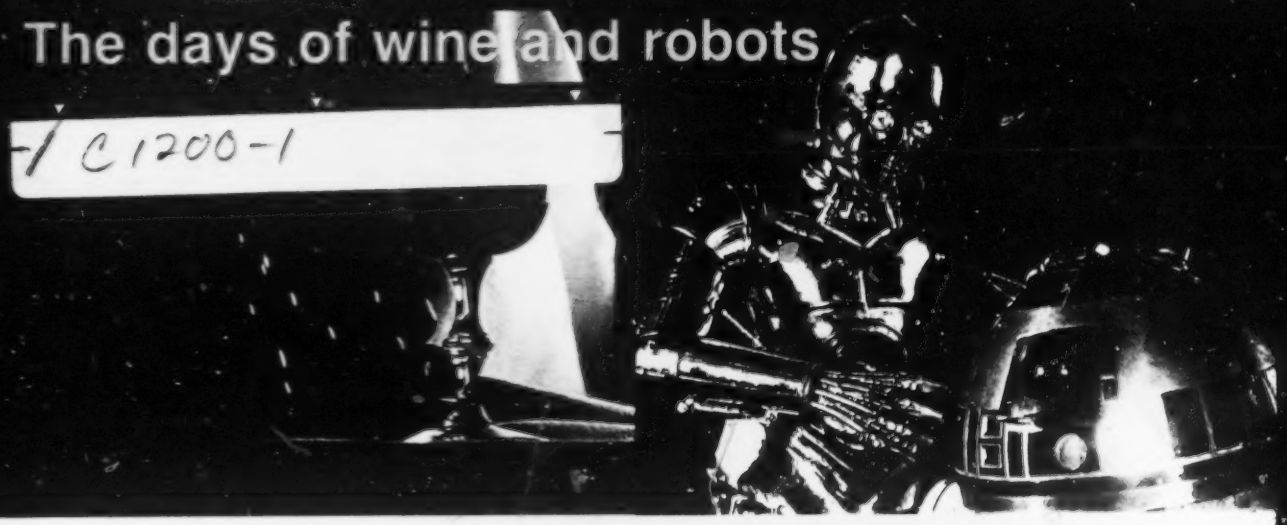
The days of wine and robots



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Business news is good news. Increasingly, the media are finding that shows devoted to business topics and businesspeople find a ready audience. It's a major shift away from casting business as a national villain. Dec. 7.

Seventh Annual Awards. S&MM names the marketing organizations that have been most successful in 1981 in this special Annual Awards Issue. Also: A Special Citation category for the year's dazzling entrepreneurs. Jan. 18.

An S&MM Special Section: Audiovisuals. An exclusive survey uncovers new uses of AV equipment, what managers look for when choosing equipment, and how AV budgets are changing. Jan. 18.

VOL. 127, NO. 7

S&MM [Sales & Marketing Management ISSN 0163-7517], a Bill publication, is published monthly except in February, April, July, and October, when it is published twice a month. Second-class postage paid at New York, NY, and additional offices. Form 3579 requested at 633 Third Ave., New York, NY 10017. Executive, editorial, and circulation offices: 633 Third Ave., New York, NY 10017. SUBSCRIPTIONS: $35 a year, U.S.A. and Canada ($42 CDN). Foreign, $56. Allow 4 to 6 weeks for first issue to arrive. Member of the Audit Bureau of Circulations, American Business Press, Business Publications Audit of Circulation, and Magazine Publishers Assn.
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S&MM's cover photographs by Tom Loria and courtesy of Twentieth Century-Fox/Lucasfilm.

of its Atari 400 Home Computers by the Minnesota Educational Computing Consortium, headquartered in St. Paul.

Like the competition, Atari promotes brand name allegiance and the acceptability of microcomputers as a learning tool for the classroom and the home. "The home is our prime market," says Atari spokesman J. Peter Nelson, "but the schools are high up there." Director of educational marketing Chris Bowman points out that the two markets are interconnected: "Computers in the school will find their way home," he says. To lead them there, Atari's four regional sales managers and their distributors supply more than 2,000 dealer outlets, doubled from last year. Most school sales are generated through bid offerings. All this is aided by a national TV and print ad campaign.

Emphasis on software

It appears that schools are already sold on the hardware. A just-completed survey by Market Data Retrieval (MDR), Westport, CT, shows that 42% of U.S. primary and secondary schools employ "computer-assisted instruction," and MDR admits that this is a low estimate. The report also states that schools in higher income areas have most of the computers, an important finding for prospective home sales. (For more on microcomputer hardware and software, see the S&MM Salesgraph at right.)

To capitalize on this market, Atari is developing "courseware," which educators sorely need. Bowman emphasizes that the school market is "software driven—I'm spending my time acquiring software." So integral is this factor, he adds, "that I see us getting involved in marketing (independently produced) software."

NEW IDEAS

Computers find new quarters

Further evidence of the sprawling presence of computers: The Tredyffrin Public Library in Wayne, PA, has installed a coin-operated computer. The unit, which costs 50¢ per 15 minutes to operate, is used three to four hours a day by students learning to program and by curious adults seeking hands-on experience with a computer. Most popular are programs requiring mathematical skills and statistical manipulation.

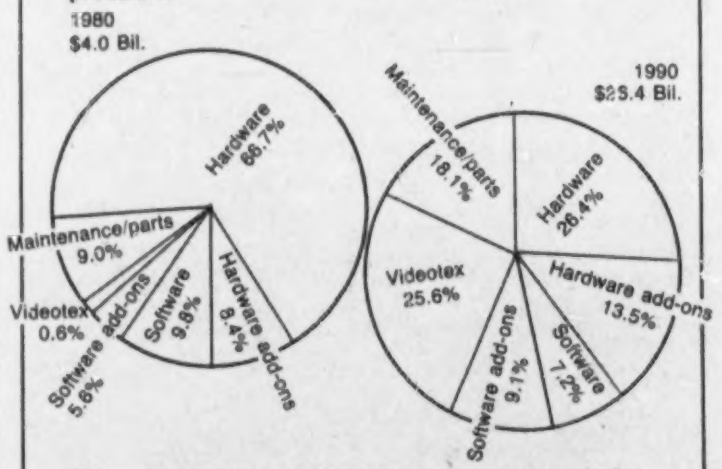
Compuvend Computer Systems, Inc., Philadelphia, built the vend interface equipment element—that's a coinbox, computer style—and supplied the Radio Shack TRS 80 keyboard and TV screen to the library.

William Zimmerman, Compuvend president, says that five hours per day use is suffi-

S&MM SALESGRAPH*

Where the chips will fall

Microcomputer (computer-on-a-chip) sales will rocket from $4.0 billion in 1980 to $26.4 billion in 1990, according to Market Venture Consultants (MVC), a Newport Beach, CA, research firm. Industry changes will be as dramatic as the sales curve. While Apple, Atari, Commodore, and Tandy have dominated the market up to now, by 1982 Hewlett-Packard, IBM, and Xerox will also be contenders in the race for market leadership. The important shift, of course, will be from hardware to software, but the proliferation of retail outlets will be significant, too. "The industry will turn into a consumer marketing game," says MVC chief Gerry Guyod, "as vendors rely upon different types of stores to sell their products."



Source: Market Venture Consultants, *Microcomputers—A Marketing Perspective.*
*Sales & Marketing Management.

cient to break even, and that more sophisticated software will mean increased use. He expects to begin distribution in January through a network of dealers and distributors with whom he's currently negotiating. S&MM

BUILDING A MARKET

A frantic sell for relaxation

Pursuit of instant nirvana is part of the American way of life. There have been orgone boxes for psychic stretching, alpha brain wave therapy, and now flotation tanks. Like the one in the movie *Altered States*, the oblong, enclosed tanks are filled with 10 inches of a salt-water solution in which one floats, naked, losing all sensation. Often referred to as sensory deprivation, it's billed as the ultimate relaxation.

For the most part, sales have been based on word of mouth, but both Samadhi, Beverly Hills, and Float to Relax, Denver, the two heavies in the field, are expanding.

Samadhi, with three centers where people pay $17 an hour to float, has upped its Los Angeles plant's production to 500–600 tanks per month, and based on a worldwide marketing study conducted by the company, it is pursuing the franchise market. It now has five franchises and plans to open five more in California, Hawaii, and Arizona.

Float to Relax, whose sales for the first six months of 1981 have already matched sales for all of 1980, is pursuing a three-part marketing program developed by marketing director Jeff Jarvis, with the company since the beginning of the year.

Says Jarvis, "We've got a program aiming for three markets, the sportsman, the medical field, and the consumer, not just the individual consumer but the mass buyer selling to the consumer." The medical profession has mixed views on the therapeutic value of flotation tanks but both Samadhi and Float to Relax are promoting this aspect. Thus both were represented at the American Chiropractic Convention in Anaheim in October and both stressed the virtues of their tanks as a boon to good health.

As another marketing tool, both have put together stress packages with tapes of music and instructions for relaxing aimed at the executive. S&MM

MARKETS AT A GLANCE

The Southwest gets on the job

The Southwest will become the center for fast-growth industries development in the 1980s, according to projections of metropolitan employment by Chase Econometrics, Bala Cynwyd, PA. Eight of the ten markets expected to post the fastest job growth are in that part of the country. "The two major determinants in a market's long-term job growth," says Andrew Moody, director of metropolitan area forecasting, "are industry mix and business costs. The fastest-growing metros are heavy in the growth industries of the 1980s: electronic components, telecommunications, oil and gas extraction, and tourism." Virtually every rapidly growing metro is in a low-tax state, he adds.

	Annual Employment Growth, 1979-90	
Metro Market	*Growth Rate*	*Number of Jobs*
Houston, TX	4.6%	79,200
Fort Lauderdale-Hollywood, FL	4.4	18,100
Tucson, AZ	4.3	9,400
Las Vegas, NV	4.3	11,200
Dallas-Fort Worth, TX	4.0	67,600
Austin, TX	3.8	10,700
Phoenix, AZ	3.7	27,800
El Paso, TX	3.6	6,800
Tulsa, OK	3.6	12,400
San Diego, CA	3.6	27,300
U.S.	**1.9**	**1,889,500**

Source: Chase Econometrics
Sales & Marketing Management

AIRLINE MARKETING

Will AAirpass pass the test?

American Airlines officials say it's too early to tell how high their novel, two-month-old AAirpass program will fly (S&MM, Oct. 12), but it's already clear that they won't get much propulsion from major corporate travelers—or from travel agents. Arlene Macchia, who heads the 450-member National Passenger Traffic Assn. (NPTA), says her fellow company travel coordinators are

Once regarded mainly as a source of cheap textiles, Hong Kong is becoming a prime location for entrepreneurs making advanced electronic gear. Another reason for an upbeat tune: its growing role as middleman between China and the West.

No Hong Kong blues

By Thayer C. Taylor
Senior Editor Management Sciences

Clockwise from top: Mountains overlook skyscrapers on Hong Kong Island; temple dancers at Sung Dynasty Village; across the border in China, leg power is still a mainstay; "westerns" are popular movie fare.

The visitor who drives from Hong Kong's Kai Tak International Airport to one of the plush new hotels on Kowloon's Salisbury or Nathan roads is struck by a symbol of the British colony's new industrial image: a profusion of outsize neon signs touting the leading U.S. and Japanese electronic firms. If he takes the ferry to Hong Kong Island's Central District, he will note that the directories in the stone and marble skyscrapers list the names of many U.S. computer and hi-tech concerns, attesting to the fact that U.S. dollars account for 45% of all foreign investment.

These companies are using Hong Kong's strategic position as a springboard for penetrating the rapidly growing Southeast Asia market and, ultimately, China. William Newport, head of the Hong Kong Assn. of Travel Agents and a former marketing director of Pan Am, estimates there are about 8,000 Americans serving three-year hitches.

Clothing and textiles, which started Hong Kong on the road to industrialization in the 1950s, still dominate exports, but electronics is catching up fast. Last year, total exports rose 22% to HK$68.2 billion, but clothing and textiles posted a smaller 15% rise to HK$27.7 billion while electronics surged 33% to HK$12.9 billion. (One U.S. dollar is equivalent to five Hong Kong dollars.)

More significant is the shift in Hong Kong's electronics mix. "Low-cost labor and high unit-output originally attracted overseas investments," recalls economist Charles Chapman, Hong Kong Trade & De-

velopment Council, "but we have become more sophisticated. In one decade, we have moved from making simple transistor radios and electronic watches to complex semiconductors and computer memory systems." If local electronics firms lack the technological capability for pioneering new trends, he adds, they're extremely flexible in exploiting new trends with product variations of their own.

The burgeoning personal computer industry is the latest example. APF Electronics, Inc., New York City, which makes all of its calculators in Hong Kong, will bring out a business version of its hobbyist computer, the Imagination Machine, says computer division sales manager J.R. Esland. Lawrence Wong, marketing director of Eaca Computer Ltd., says his company, which began mass producing personal computers this summer, plans to ship 3,000 a month to Europe, aimed at the hobbyist market.

Looking for locals

Enthusiastic hopes that Hong Kong will eventually become a first-rank electronics center face two big roadblocks, however. Small companies dominate the industry, and, while they can churn out consumer products with ease, industrial electronics calls for a scale of R&D spending that is beyond their means. Also, the government's laissez-faire philosophy means they can't count on the kind of government research that triggered the growth of the computer industries in the U.S. and Japan.

Rampant speculation in the property market, which has gripped Hong Kong the past two years, is leaving its mark on the electronics industry. H.C. Tang, chairman of the Federation of Hong Kong Industries, warns that windfall profits from speculation in real estate are diverting needed resources from local manufacturing.

U.S. managers on the scene worry that the speculation is driving housing costs up to a point where compensation packages are no longer cost-effective. The Hong Kong American Chamber of Commerce predicts that in two years housing costs may jump betwen HK$40,000 and HK$100,000 per expatriate employee.

To counter the squeeze, U.S. companies are looking feverishly for local residents to replace the expatriates. Each day, the newspapers carry several pages of help-wanted display ads for a broad range of sales and marketing jobs.

Besides wrestling with costs, both the multi-nationals and local entrepreneurs ponder "the China question." The 99-year lease on the New Territories, encompassing 355 sq. mi. north of Kowloon, expires in 1997. China has always denounced that treaty, as well as the two others that ceded Hong Kong Island (29 sq. mi.) and Kowloon Peninsula (3¼ sq. mi.) to Great Britain. So far, China

Hong Kong's appealing market profile

	1980	*Avg. Annual % Gain 1976–80*
Gross domestic product (1973 HK$, Mil.)	$ 60,409	8.8%
Gross domestic product (current HK$, Mil.)	106,088	20.8
Personal consumption expenditures	73,106	25.9
Government consumption expenditures	7,250	27.6
Gross domestic fixed capital formation	29,312	40.4
GDP per capita (current HK$)	20,933	15.8
Foreign trade (HK$, Mil.)	209,894	29.5
Domestic exports	68,171	21.8
Re-exports	30,072	47.4
Imports	111,651	31.6
Population (000)	5,148	3.0
Total labor force (000)	2,371	4.7
Employment:		
Manufacturing	892	3.0
Wholesale and retail, import and export trades	314	3.8
Restaurants and hotels	133	4.9
Civil services	137	5.6
Daily wage index for manufacturing workers, including fringe benefits (Sept. 1980 base = HK$56.29)	215	15.2
Total manufacturing establishments	45,409	5.0
With overseas investments	460	11.8
Overseas investments in manufacturing (HK$, Mil.)	$ 2,543	7.4
Companies registered		
Local	81,206	17.0
Foreign	1,398	9.7
Consumer price index (1973-74 = 100)	161	9.0

Note: One U.S. dollar roughly equivalent to five Hong Kong dollars.
Source: Hong Kong Trade Statistics, Census & Statistics Dept.
* Sales & Marketing Management.

hasn't indicated what it will do, although the reliable *Far East Economic Review* recently reported that high-placed officials in Beijing hinted at a "clarification" by 1983.

While 1997 seems far off, the issue will come to a head next year because of Hong Kong's standard 15-year mortgage. Would-be buyers of office buildings or factories after next July will be making long-term commitments for property whose post-1997 status is uncertain.

That doesn't faze Loy Chung, marketing manager of the Marco Polo Hotel, which opens next year. Typical of the young Chinese who have returned home after getting their education and starting their careers in Great Britain, he capsulizes the prevailing hope: "An independent Hong Kong is vital to China because it provides the middleman contacts with the West for managerial expertise, technology, and investment capital."

An awesome market

Certainly, Hong Kong's economy has gotten a boost from China's 10-year modernization program for agriculture, science, industry, technology, and defense. A two-way flow of massive investments gives Hong Kong a strong beachhead in a market of awesome potential and provides China with much-needed foreign exchange earnings.

To encourage foreign investment, China has created special economic zones for joint ventures in Guangdong and Fujian, the two provinces adjoining Hong Kong. It provides the land and labor as well as favorable tax treatment, and a foreign partner provides the managerial talent, equipment, and investment capital. By this summer, total investment in joint ventures came to US$1.6 billion.

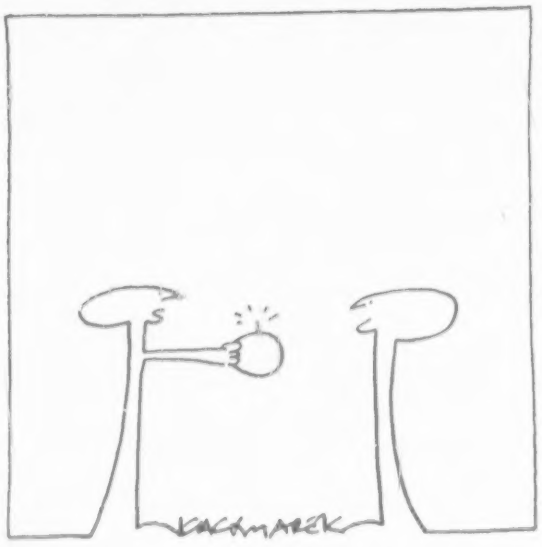
Because of their shared language and customs, Hong Kong's financiers and industrialists play an influential role in a goodly number of the ventures. U.S. companies are also opting for their share, the two most recent ones being Holiday Inn, which will build a US$30 million hotel in Shumchun, and PepsiCo International, which is setting up a bottling plant in Shenzen.

Of more immediate concern is the slowdown in Hong Kong's tourism. Last year, the number of tourists rose only 4% to 2.3 million, the smallest rise since 1975, and their spending crept up only 2.3% to US$6.5 billion.

Although a blistering 15.8% inflation rate (vs. 9.9% in the U.S.) was said to be a cause of the slowdown, marketing manager Philip Kung, Hong Kong Tourist Assn., minimizes the impact, claiming "inflation was just as much a problem wherever the tourists came from." However, Dr. T.B. Lin, economist at Chinese Univ., says inflation hit tourists harder than official figures suggest because the prices they paid for goods and services soared 24%. Hotel rates alone rocketed 39%, according to Horwath & Horwath International's annual report, *Worldwide Lodging Industry: 1981.*

Conceding that a serious shortage of hotel space has hurt, Kung feels that an ongoing US$8 billion building boom will solve that headache. Thirteen new hotels that will open in the 1981-83 period will lift the number of available rooms from 14,437 to 19,506, he says. S.N. Chu, sales director of the Excelsior Hotel, notes that in order to help the association's pitch for more incentive travel business several of the new hotels will have meeting rooms and convention facilities equipped with the latest audiovisual gear.

The rooms won't come cheap, judging by the rates the newer hotels are posting. Defending them, Manuel Woo, executive director of the Hong Kong Hotels Assn., figures that escalating land prices have pushed construction costs in prime locations to US$100,000 a room. Howard Burbridge, sales director of M.M.A. Presentations Ltd., a London incentive-travel firm, thinks the building boom "will produce some interesting price wars between hotels in Hong Kong and those in Kowloon, thereby giving us far more options."



"WOULD YOU LIKE HALF?"

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SALES MEETINGS KEEP THE TEAM ON THE BALL

Planning a meeting that's worth the effort

By RAYNA SKOLNIK
Senior Editor

O.K. So your meeting has gone over budget. What else is new?

Now, if you want to do something about it, take some tips from the director of sales administration for an East Coast clothing manufacturer who faced the same problem. His solution: (1) Bring the next meeting back from the West Coast. (2) Choose an "off-season" location (Florida in the summer). (3) Monitor salespeople's expenses more carefully. (4) Plan a less lavish product introduction. The one thing he did not do was cancel, or even shorten, the meeting. It was too important, for a variety of good reasons.

Sales meetings train, inform, and motivate the sales force. They improve communications between management and the sales force, and among salespeople themselves. They also take time and cost money. The trick is to balance the benefits against the costs.

Few managers believe that they've hit upon the exact formula for doing that, and they're constantly trying new approaches. That's the overriding conclusion to be drawn from results of a questionnaire sent to 1,000 S&MM subscribers in August. Thus the articles in this Special Section are intended to help marketers plan more effective meetings while keeping a tight rein on costs, no easy assignment.

To ensure that meetings cover the topics that are of the greatest interest and value for the sales force, 80% of the 207 respondents, vs. 75% last year, ask salespeople to suggest topics for the sales meeting agenda (see tables). Sales force input may or may not have been responsible for the intriguing changes in agenda content revealed by the survey. This year, awards and recognition for the sales force are "always" on the agenda for 37% of the respondents, a big jump from 25% last year. And 20% of the respondents "always" announce incentive programs at the sales meeting, up from 12% last year.

Less talk, more rewards

However, the percentage of respondents who "always" include motivational talks dropped to 25% this year from 30%; it's the only category that registered a decline in the "always" column. That seems to indicate that companies have decided that they should give fewer pep talks and more rewards if they want the sales force to respond. (For ideas on how to use a sales meeting to kick off an incentive program, see the article on Avery International's Fasson Industrial Div. on page 82.)

The strongest category on the sales meeting agenda this year, as it was last year, is sales force feedback. Comments on the questionnaires reveal that getting the sales force to participate in a meeting is the most important thing—and often the most difficult.

The percentage of companies that say they're watching meeting costs declined slightly, although it's still a significant 55% (down from 59% last year). But respondents this year have a lot more to say about what they're doing to cut costs. The greatest effort is applied to the category where costs are largest: air fare. Companies are shopping around for the best deals, booking far enough in advance to take advantage of special rates, and choosing sites on the basis of travel cost as well as facilities. One way to reduce air fare costs, as well as to increase the relevance of a sales meeting, is to plan the meeting just before a trade show that people are already

Highlights of S&MM's sales meetings survey

1. Do you hold sales meetings at company sites, noncompany sites, or both? If noncompany sites are used, please indicate which ones.

Company site	64%
Hotel	49
Resort hotel	53
Conference center	13
Airport hotel	19
Budget motel	2

(Replies total more than 100% because of multiple answers.)

2. Is the sales force asked to suggest topics for the sales meeting?

	1981	*1980*
Yes	81%	75%
No	19	25

3. Who (by title) has the final say in determining the agenda for a sales meeting?

General sales manager	33%
Vice president, sales	26
Vice president/director, sales and marketing	12
President	11
Vice president, marketing	10
Director of marketing	6
Regional sales manager	2

4. How often are the following included on your sales meetings agenda?

	Always	*Often*	*Sometimes*	*Never*
Sales training	47%	29%	20%	4%
Product introductions	47	35	15	3
Information on competitors' efforts	40	38	19	3
Sales progress reports	65	20	11	4
Product promotions	43	32	20	5
Motivational talks	25	32	36	7
Recognition and awards for salespeople	37	26	29	8
Announcement of incentive programs	20	17	51	12
Sales-force feedback	74	20	4	2

5. Have you held any teleconferences or videoconferences in 1980 or 1981? (These are decentralized meetings in which participants are linked by a telephone or video hookup.)

Yes	7%
No	93

6. Do you plan to hold any teleconferences or videoconferences in 1982?

Yes	9%
No	81
Undecided	10

Base: 204 replies.

7. Have you tried to reduce meeting costs this year?

	1981	*1980*
Yes	55%	59%
No	45	41

8. Do you use your own sales force, independent reps, or both?

	1981	*1980*
Own sales force	50%	52%
Independent reps	14	8
Both	36	40

Base: 206 replies.

9. What are the approximate annual sales of your company or division?

	1981	*1980*
$10 million or less	23%	19%
$11–$25 million	26	23
$26–$50 million	15	20
$51–$100 million	12	17
$101–$500 million	14	16
$501 million or more	10	5

Base: 202 replies.

Except where noted, figures are based on 207 replies.

scheduled to attend, a procedure that several respondents say they follow.

Although teleconferences are being touted as a good way to save on both air fares and hotel costs, a mere 7% of respondents have tried them. Many people are intimidated by both the new technology and the idea of being "on screen." Marketers wanting to know more about this new technique may be interested to read why Hewlett-Packard considers teleconferencing such a good idea (page 96); accompanying that article are some tips on how to prepare executives and products to play a starring role.

Also in this section: EG Industries uses a meeting to make its three separate sales forces feel like part of the same team; Continental White Cap gets a sales promotion off to a good start by giving it a surprise introduction at a sales meeting; Miller Brewing gets its distributors into the spirit of competition with a mammoth series of meetings that include workshops and exhibits; Minolta's Photographic Products Div. holds a meeting with a French twist in Canada, a site now looked on more favorably by the IRS; Saddlebrook Resorts, just north of Tampa, benefits from the cross-selling efforts of 200-plus people at its parent company, Penton IPC; and Empire Life Insurance finds that incentive meetings are better in the Bahamas.

SIGNIFICANT TRENDS

Revolutionary data on sales costs
The Federal Trade Commission (FTC) has taken its lumps recently (page 14), but marketers owe it some thanks for the recently issued line-of-business reports that, for the first time, pinpoint advertising and selling costs on a 4-digit Standard of Industrial Classification (SIC) basis. To marketers, the reports offer a tool for comparing their own costs against those of their competitors.

What makes the data especially helpful is that they refer to specific lines-of-business rather than company. Too often, government data, such as the Census Bureau's monthly report on industry shipments, are distorted because a company's total sales are put into a single 2-digit category. Thus, General Electric data are lumped into the *nonelectrical* machinery sector. For the FTC, however, GE had to report information for such individual lines-of-business as refrigerators, power transmission equipment, and aircraft engines, all of which are in different 2-digit SIC categories.

The Internal Revenue Service's annual report on corporate income tax returns includes data on advertising, but only in a very general way. S&MM's annual *Survey of Selling Costs*, using data from an annual American Management Assns. survey, provides statistics on sales force compensation and travel and entertainment costs. However, because the number and quality of survey respondents change each year, industry categories are not consistent.

Thus, the FTC throws badly needed light onto an area where darkness prevailed. For the first time, marketers have a source where cost data will be consistent, and the level of detail meaningful, from one year to the next.

Because selling costs is the category that corporations generally are most loath to disclose, they fought the FTC tooth and nail, trying to keep the agency from getting this information to the public.

The first two FTC reports cover 1974 and 1975. Although six years old, the 1975 data are still useful because selling cost ratios, by and large, do not change that much from one year to the next. In fact, an S&MM analysis of the two reports discloses that the same 10 industries had the highest selling cost ratios in both years.

As the accompanying table indicates, the FTC report shows (1) media advertising expense as a percent of sales and (2) total selling expense (which includes advertising) as a percent of sales. Deducting the advertising figure from the total selling costs ratio will suggest the industry's share of sales that went to field selling expenses.

Where selling costs ratios are highest

Industry	Percentage of Sales: Total Selling Costs	Percentage of Sales: Media Advertising
Drugs, proprietary	35.1%	20.1%
Perfumes, cosmetics, and other toilet preparations	28.6	13.8
Bread, cake, and related products	28.3	2.0
Cutlery*	25.6	12.8
Chewing gum	25.4	12.3
Distilled liquor	25.3	11.9
Household vacuum cleaners	25.2	3.0
Typewriters and office machines not elsewhere classified	23.7	1.2
Hosiery	23.5	9.4
Calculating and accounting machines, except electronic computing machines	22.1	2.8

*Cutlery ranks high because it includes razors and razor blades.
Source: Federal Trade Commission, Bureau of Economics, *Annual Line of Business Report: 1975 and 1974 (interim)*.
Sales & Marketing Management

Coming at a time when concern over marketing productivity is rising, the FTC has contributed a valuable source of information. The reports also give small and medium-sized companies an analytical tool that can lead to more efficient selling costs management.

NOTE

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